ADDRESS
OF THE DEWAN

TO THE

MYSORE REPRESENTATIVE ASSEMBLY
(BIRTHDAY SESSION)

22nd June 1923

Introductory Remarks

GENTLEMEN,

By command of His Highness the Maharaja, I extend to you as the representatives of the people a most cordial welcome to the Seventh Supplementary Session of the Mysore Representative Assembly, convened with the object of laying before you the salient features of the estimates of the revenue and expenditure of the current year as compared with the budget, and of the financial policy that is proposed to be followed in the next official year as embodied in the estimates that have already been placed in your hands. As has been customary during the past seven years, I do not intend in the present Address to deal with questions pertaining to the general administration which will be reserved for the next Dasara Session. It will nevertheless be necessary, in discussing our general financial policy, to refer to important administrative measures which have materially affected the State's finances and, confining myself to matters coming within the purview of larger questions of finance, I shall attempt to take you hurriedly over the special features of the current year's administration and indicate in general terms our budget proposals for the next financial year.

At the outset, I desire to express on behalf of Government, our deep sense of gratitude to the public at large, to the members of this Assembly, as well as to the members of the Legislative Council, to the Special Finance Committee which concluded its labours in July last year and also to the general body of public servants in the State, high and low, who have all rendered material assistance to the administration in carrying out its

declared policy of restoring our financial equilibrium. Our thanks are due for such assistance as well as for the whole-hearted and loyal co-operation which we have received and without which it would have been impossible to make any headway against the serious odds and difficulties that confronted us in our task. The courage that was needed came from the support of a strong public opinion which urged drastic retrenchments in the administration and, in the difficult work of effecting retrenchments and economies, the spirit that has been shown by the public servants of the State throughout this period of depression and stress is worthy of the highest praise. With these words of acknowledgment which as Head of the Administration I consider it my privilege to express before this Assembly, I will now proceed to the task of explaining our present financial position.

Policy of Financial Re-habilitation

When I presented in June last the budget estimates for the current year, I urged the pressing need for balanced budgets, and after referring in brief to the budgets of the three preceding years, the actuals under revenue and expenditure and the resulting deficits, I hurriedly reviewed a period of 20 years' administration of the State with special reference to the important declarations of policy made from time to time in regard to matters financial during these two decades. Describing the situation as it appeared to me then, I explained that our financial position had been affected by several causes and through three consecutive years commencing from 1918-19, the condition of our annual finances had been one of excess of expenditure over revenue. I summed up the situation thus:—

"We are now confronted with a situation of recurring deficits and it is necessary to evolve a sound financial policy which could be spread over a triennium or a quinquennium and by which the deficits may be gradually wiped out and we may regain our former financial position."

I ventured to put forward a definite scheme of financial re-habilitation and indicated in general terms the necessary measures which would, in my opinion, within the period of three years change the position of deficit into one of equilibrium leading gradually to a position of perfect safety.

I urged the necessity of re-classifying our revenues and items of expenditure with a view to understand them in their true perspective, to locate the deficiencies in our financial policy in their proper places and to adopt suitable measures for remedying them. With this object in view I furnished a statement showing the several items of our revenue finance re-arranged in three Parts for a period of seven years. This new classification disclosed that under Part I which concerns the ordinary administration, *viz.*, normal revenues and the demands thereunder, our position had been one of deficits for a number of years and that during the period of 7 years for which the statement was presented, the amount of annual deficits ranged from 21 to 73 lakhs of rupees. I also showed how with the continued increase in the standard of service expenditure coming under the first Part, and the growing deterioration of Part III relating to investments and productive works, including sinking fund and interest charges for public debt, the deficits of these two were not fully covered by the surplus of the second Part relating to uncertain revenue and capital receipts and the net result was therefore a deficit, taking all the Parts together, from the year 1918-19. In presenting the budget of the current year, I explained the unsatisfactory position, showing that the ordinary administration had to face a deficit to the extent of 24 lakhs calculated without providing for any of the reserves such as famine reserve, reserve for non-recurring expenditure and other reserves and contributions which should form a legitimate charge upon the annual resources of the State. I also indicated that under investments and productive works there was a deficit of 9 lakhs, owing chiefly to the large provision for interest and sinking fund charges for public debt and owing to the non-productive nature of some of the works which had not yet reached the stage of being self-supporting. I then proceeded to explain, referring to the various aspects of our financial position, that it was necessary to show an improvement in our total financial position to the extent of about 55 lakhs per annum and I expressed the hope that this might be effected by a definite policy if pursued assiduously for a period of 3 years. Our revenues had to be increased by about 37 lakhs—25 under normal heads and 12 under investments and productive works—and our expenditure had to be reduced by 18 lakhs —7 under normal service heads and 11 under investments and productive works. I based this calculation on the standard of revenue and expenditure in the budget estimates of 1922-23 and foreshadowed a financial programme on these

lines to be pursued for the 3 years beginning with 1923-24. You may now be interested to hear what measure of success has attended our efforts in the first year after this policy was laid down.

At the last meeting of the Legislative Council, referring to this matter, I urged the imperative necessity of balancing our budget for the next year and although at that time the data before me did not justify any prediction that the budget would be balanced, and there were many difficulties and disturbing factors to contend with, I am now happy to be able to produce the revised financial statements of the current year and the estimates of the next year which show results that, I am sure, will give satisfaction.

Accounts of the Preceding Triennium

It will be a fitting introduction to the discussion of our revised and budget estimates which form the main part of our business at this Session if I give the accounts of the revenue and expenditure for the previous three years. The receipts and disbursements of these three years are given in the following statement:—

Year	Receipts Rs.	Expenditure Rs.	Deficit Rs.
1919-20 ..	3,13,12,256	3,57,09,398	43,97,142
1920-21 ..	3,13,12,665	3,44,11,164	30,98,499
1921-22 ..	3,12,05,389	3,44,27,323	32,21,934

Under Expenditure in the above statement, I have given the total and not the actual that was debited to the Revenue account, with a view to show the standard of expenditure that was provided for, a portion of this having been met from the departmental reserves and balances under the scheme then in force, *viz.*, Mr. Datta's Financial Settlement. According to the standard of expenditure sanctioned for these three years which reached its maximum in the year 1919-20, the excess of expenditure over the year's revenue varied from 32 lakhs to 44 lakhs.

Accounts of 1921-22

The accounts of 1921-22 show a revenue of Rs. 312 lakhs and a total expenditure of Rs. 344 lakhs.

These figures are important. Under the ordinary service heads the revenue was only 257 lakhs and the expenditure was 302 lakhs resulting in a deficit of 45 lakhs.

But taking into account the revenue from investments, productive works and gold mines, the deficit was about 32 lakhs and after providing for interest on loans and sinking fund not fully but only to the extent of 29 lakhs and without providing for any of the reserves, the total expenditure was as high as 344 lakhs.

Revised Estimates of 1922-23

According to the budget of 1922-23, we estimated a total revenue of Rs. 3,10,40,000 and a total expenditure chargeable to revenue of Rs. 3,33,23,000 resulting in a deficit of about Rs. 22 lakhs. Working out these totals on the basis of the re-classification of our financial transactions as adopted last year, I showed a total ordinary revenue of 251 lakhs and a total ordinary expenditure of 275 lakhs resulting in a deficit of 24 lakhs under Part I of the account and a net deficit of 21 lakhs after taking into account Parts II and III thereof. I am now glad to be able to say that our budget estimates of the current year, which were framed with great caution and which were based on a policy of drastic retrenchments and a fairly liberal estimate of the revenue possibilities, show considerable improvement according to our revised figures. For a correct understanding of the position, it is necessary at the outset to refer to one important item of revenue, *viz.*, the surplus revenue of the Bangalore Assigned Tract which was shown separately in the budget. I wish to explain the manner in which this revenue, as actually received by us in the current year, has been shown in the revised budget. We have received a total sum of 23¾ lakhs this year, of which 10½ lakhs represent the surplus of the year 1921-22 and the balance of 13¼ lakhs forms part of the arrears payable for the previous three years. The annual payment of 10½ lakhs relating to the year 1921-22 has been, as it should be, credited as an ordinary revenue of the year and the balance of 13¼ lakhs received towards the arrears has been omitted from the ordinary revenue accounts and shown as an extraordinary receipt which will in due course go to reduce the deficits of the past 4 years.

Revenue Heads

One of the gratifying features of the revised estimate is that our revenue anticipations have been more than realized and the expected actuals under most of the major heads show a very satisfactory advance over the budget

estimates. The total budget estimate of revenue including the extraordinary revenue of 16½ lakhs provisionally adopted as the revenue from the Assigned Tract was 327 lakhs but according to the revised estimates, it is 345 lakhs thereby showing improvement to the extent of 18 lakhs of which 7¼ lakhs was contributed by the surplus revenues of the Assigned Tract. The net improvement under the major heads of our normal resources is 10¾ lakhs mainly contributed by Land Revenue, Excise, Income and Miscellaneous Taxes, Stamps, Mining and Railway revenues, Krishnarajasagara and Electric works. I may state by way of comparison that the total revenue of nearly 332 lakhs excluding extraordinary items is the highest yet on record in the administration of the Mysore State and the net increase of about 22 lakhs over the budget estimates must be considered as creditable to the revenue-producing departments of the State. I should not omit, however, to mention that the result is due largely to special measures taken by Government for augmenting our resources, and amongst these may be mentioned the release and sale of Amrut Mahal Kavals, the speedy disposal of darkhasts, expediting of re-settlement operations, introduction of legislation for the improvement of court-fee and stamp revenue, larger collection of arrears of land revenue, excise and income-tax, the development of our electric and railway receipts and revenue from the Krishnarajasagara.

Expenditure

The budget for the current year provided for a total expenditure of 333¼ lakhs but the revised estimate shows that the expenditure is likely to be 337¼ lakhs, *i.e.*, an increase of 4 lakhs. Supplemental expenditure was sanctioned during the current year to the extent of 10 lakhs and this related for the most part to unforeseen and unavoidable items of a non-recurring character properly debitable to previous years' accounts but not actually disbursed and included larger grants for education and civil works in progress. The total authorized level of expenditure including the supplemental grants therefore was about 343¼ lakhs and it was only by recourse to most stringent and rigorous control over the departments that the actual expenditure is estimated not to exceed 337¼ lakhs showing thereby a saving of 6 lakhs as compared with the sanctioned standard.

Including the extraordinary revenue of 16½ lakhs from the Bangalore Assigned Tract, the net result

anticipated in the budget was a deficit of 5¼ lakhs. The corresponding result according to the revised estimate is a surplus of nearly 9 lakhs and the improvement of 14¼ lakhs thus secured from increased revenues and reduced outlay is a result which, I am sure, will be viewed with lively satisfaction.

Budget Estimates of 1923-24

In the next year's budget a total revenue of Rs. 331 lakhs has been anticipated. The variations have been dealt with in detail with the necessary explanation in the memorandum attached to the budget. The total expenditure to be met from this revenue of 331 lakhs is fixed at 330 lakhs, the prospective result of the proposals for the next year being a surplus of about a lakh. This result has been achieved purely and simply by the determination to balance the budget as one of the first principles of sound finance. I am glad however to announce that in spite of such a determination, it has been possible for Government to meet a few of the legitimate demands of a progressive administration up to the limit permissible under that policy. We have, besides, made full provision for contributions payable to the loan sinking fund which we had not been making in the past.

I shall now explain some of the features of the revenue and expenditure for 1923-24. On the revenue side, a sum of 7½ lakhs has been taken credit for under Assigned Tract Revenue on the assumption that the revenue will be paid to Government as it falls due. As regards the other heads of revenue to which I think it is necessary to direct attention on account of their important features, I may mention Land Revenue, Excise, Income and Miscellaneous Taxes, Krishnarajasagara, Electric works and Railways. The comparatively high level of 117 lakhs under Land Revenue in the revised estimate is due to the special sales of land released from Amrut Mahal Kavals and date groves in addition to the other special efforts made by Government for increase of the revenue demand under miscellaneous items. The budget of the next year has been placed at about 116 lakhs providing only for normal growth. The gross revenue from Excise is the same in both the revised and in the budget, *viz.*, 74 lakhs. The increase under Income and Miscellaneous Taxes is due to the inclusion of super-tax, the law relating to which is expected to come into force from the next year. The decrease of about 6 lakhs under Railways

compared with the revised estimates is happily not due to any decline in the level of this revenue. The gross revenue from Railways is expected to be 80 lakhs, the same as in the current year and the shortage in the net receipts is due to the large grants allowed for renewals on permanent way and rolling stock which have been in arrears for the past several years. I shall explain the necessity for these renewals in dealing with the general question of railway finance. An improvement of about 2½ lakhs as compared with the revised estimate, which itself shows a substantial advance, is anticipated from the Krishnarajasagara and Electric works owing to the larger supply of power to the Kolar Gold Fields Mining Companies and other consumers, rendered possible by the Sixth Installation works.

Reduction in Total Expenditure

The total expenditure provided in the budget is 331 lakhs as against 337¼ in the revised estimates of the current year. The departmental demands for grants have been subjected to very close scrutiny and allotments applied for have been cut down wherever possible, and the results of the vigorous application of the pruning knife will be noticeable under the heads of Land Revenue, Excise, General Administration, Muzrai, Scientific and Miscellaneous Departments, Stationery and Printing, Miscellaneous, Sanitation and Vaccination, Public Works, Economic Conference and Agriculture. It is needless for me to point out that the limitations imposed on the administration by our present financial policy is causing, as it is bound to cause, some embarrassment as well as public disappointment.

Increase under Certain Heads of Expenditure

Although there is a net decrease in total expenditure, appreciable increases are provided under Forest, Pensions and Allowances, Courts of Law, Police, Medical, Education, Industries and Commerce and Military. The higher level of the Forest budget is due to the larger provision made for supplying fuel to the Iron Works and this excess is set off by the corresponding receipts taken on the revenue side. The large number of officers granted leave preparatory to retirement ordered in pursuance of the policy of retrenchments of establishments explains the increase under Pensions and Allowances.

The provisions made for granting additional facilities for the administration of civil justice and for extending the judicial separation scheme to the Kolar District

account for the increase under Courts of Law. The increase under Police does not represent any additional expenditure but is due to the inclusion of provision for the full sanctioned scale of charges for the force as fixed in the retrenchment orders. A State grant of 6 lakhs has been made to the University for the next year as against 4½ lakhs of the current year. The reduced grant in the current year was due to the fact that the University was allowed to appropriate, from the large balances accumulated, a sum of 1½ lakhs towards their normal expenditure. For giving effect to some of the measures sanctioned in the orders relating to the expansion of elementary and middle school education, extra provision has been made in the budget of next year to the extent of 2 lakhs as compared with the revised. Under Education including University therefore a total increase of 3½ lakhs will be noticeable. This increase I will explain more in detail later. The budget for the Industries and Commerce Department includes a special provision of Rs. 50,000 for charges connected with the Empire Exhibition to be held in London in 1924. After making allowance for this item, the estimate is less than the current year's budget or revised estimate. The higher level of the Military budget is chiefly due to the different results of the Military Stores operations of the current and next years, there being a net reduction of about half a lakh in the former and a net addition of about quarter of a lakh in the latter.

Aims and Results

Before proceeding further, I think it only right that I should compare the results of our financial policy as followed in the current year and in the budget estimates of next year with reference to the ideals and principles enunciated in my last budget speech before this Assembly. The current being the year immediately preceding the triennium for which it was my intention that the efforts of that policy should be continued, the time has now arrived either to justify that policy or modify it according to the circumstances that may have presented themselves afresh in its actual working. I framed last year a financial forecast for the triennium, indicating the standard of revenue and expenditure of the three Parts, the total improvement to be secured in the 3 years and the position as it would be at the end of the period if all our anticipations were fully realised. I have now ready a statement showing in juxta-position the

improvements aimed at in my previous forecast and the results at the end of 1922-23. The position disclosed by the budget of 1922-23 was one of deficit of 24 lakhs and the total improvement required to make the normal revenue meet normal expenditure and to make provision for the famine insurance and other necessary reserves was 24 *plus* 8 or Rs. 32 lakhs. According to my forecast the revenue had to be increased by 25 lakhs and expenditure reduced if possible by 7 lakhs. From the statement of Aims and Results now placed in your hands, it will be observed that against the increased revenue of 25 lakhs to be realised within the triennium, we are likely to secure in the current year itself as much as 14 lakhs. Measured with reference to the initial standard of 113 lakhs assumed under Land Revenue in the forecast, the revised estimates for next year show an increase of 4 lakhs, the balance yet to be made up within the next three years being 6 lakhs. I have every hope that with the quicker disposal of darkhasts and the prompt sales of lands released from the Amrut Mahal Kavals and date groves and with the additional revenue from the re-settlement of taluks which has been in arrears for many years past, it will be possible to realise my expectations. With improved methods of forest exploitation based on up-to-date commercial principles, my original forecast under Forests may in all probability be realised. The revenue from Income and Super taxes is naturally of a growing character and granting favourable conditions for industry, trade and commerce, I think we may reasonably expect an appreciable increase under this head. My estimate of 14 lakhs for the triennium has already been exceeded by 5 and I think another 3 lakhs may be easily counted upon in the next three years.

Turning to the expenditure side, you will observe that the total of 278 lakhs as against the standard of 275 lakhs is no doubt disquieting. But, as already explained when dealing with the revised estimates of the current year, savings to the extent of 6¼ lakhs have been effected as the result of drastic retrenchments and economies, compared with the standard in the revised.

Then again, one has to remember the practical difficulties—many of them of a serious nature—in regard to giving effect to retrenchments ordered. Sir Basil Blackett, Finance Member of the Government of India, explains these difficulties in the following words:—

"It is impossible to obtain full value of cuts which are to be made, in the first year of their operation.

Some of the retrenchments proposed can only be introduced gradually so that allowances have to be made for what I may call the 'lag' while in many cases allowance has to be made for extra expenditure on what I may call the 'terminal charges,' *i.e.*, special charges which have to be incurred in closing down establishments and getting rid of the staff."

Part of the additional expenditure appearing in the revised estimates, is due to these charges. It is true, no doubt, that instead of a net reduction in the expenditure as compared to my standard there is some increase, but as already explained much of the increase is due to the old debts having to be paid off in respect of expenditure already incurred besides the so-called 'terminal charges' and, leaving them out of account, it may be safely stated that the actual reduction effected in the expenditure under Part I is more than that covered by the forecast.

Comparing now the budget estimates of next year with the forecast, it will be noticed that there is an improvement of 14 lakhs at the end of 1923-24 in the normal revenue and there is yet an improvement of another 11 lakhs to be made in the next two years which I consider quite within the range of possibility. I have added the Assigned Tract Revenue as a normal receipt in the second Part which shows a surplus of 19 lakhs in the budget estimates of the next year. I anticipated that we may be able to augment the resources of Part III out of which 12 lakhs should be found by increasing the net revenues of our productive works and the balance of 11 lakhs by diverting the existing sinking fund for our Sterling Loan of £12,00,000 raised in 1886. The net revenue from Railways which stood in the budget for 1922-23 at 10 lakhs was proposed to be raised to 13 lakhs in the triennium. The estimate for the next year is about 6 lakhs and on the face of it, it would appear as if there had been a substantial decrease under this head. The fact however is otherwise. The budget estimate of maintenance and operation of the lines worked by us for the next year is 33½ lakhs and it includes as much as Rs. 8 lakhs for special renewal works. But for this extraordinary and non-repeating demand, the net revenue from Railways in the next year would have been 14 lakhs, *i.e.*, a lakh more than the standard to which it has to be raised in three years' time. I shall deal with the question of railway finance later. Suffice it to say now that in view of the gradually increasing character of this revenue and of the persistent endeavours that are made to economise the cost of administration, it would be possible to realise my expectation of 13 lakhs at the close

of the triennium. My estimate of net revenue from Krishnarajasagara and Electrical works was that it should be raised from 27 to 33 lakhs. The budget for the next year is 31 lakhs. There is no doubt that the rest of the improvement which I have counted upon will be secured in the next two years, especially in view of the renewal of the Bangalore transmission line which makes it possible to convey more power and earn additional revenue thereon. The Iron Works, I assumed, would add 3 lakhs to our revenue in the triennium. The operation stage of this concern commenced only some 5 months back and it is too early yet to anticipate what it will yield. Taking only the two heads of Railways and the Krishnarajasagara and Electric works therefore, we may reasonably hope that there will be an addition of about 10 lakhs by the end of the triennium, and with this improvement the present deficit of 5 lakhs would be wiped out and the balance will suffice for meeting one-third of the demand on account of the reserves required for irrigational and industrial developments. Further, if the Government of India sanction the proposal regarding the utilization of the Railway Debenture Sinking Fund, the resources of Part III of the statement before you will become adequate for all the demands on them and the improvements aimed at will be fully secured. The general survey of Aims and Results, both in respect of the current year and the next, justifies the hope that granting that the seasonal conditions continue to be favourable and no new factor likely to upset our calculation arises, we may reasonably expect to realise the anticipation under growth of revenue though it may not be possible to keep down the expenditure to the level indicated. Owing to the developments of an urgent character the limit under this will have to be fixed by the extent of improvement in revenue over and above that fixed in the forecast.

Improvement in the Financial Position

The main factors that contributed towards the general improvement may be classified under (1) expansion of normal heads of revenue, (2) retrenchments, (3) economies effected in sanctioned expenditure, (4) improvement of the general cash position rendering further borrowing unnecessary and also permitting short term investments, (5) legislative measures for the enhancement of the stamp duties and court fees, etc., and (6) strict control over purchases of foreign materials resulting in appreciable savings both in the capital and revenue accounts.

Retrenchments

The Special Finance Committee submitted their final report on the 31st of July last year to which I have already made reference in my Dasara Address. The various resolutions of the Committee received from time to time were disposed of by Government severally in 41 Government Orders passed between the period from May to December 1922. The final report was reviewed and disposed of in the Government Order of the 13th January 1923 and in para 8 thereof it was explained that the total retrenchment effected during the two years 1920-21 and 1921-22 amounted to Rs. 48·60 lakhs representing a reduction of 15 per cent on the total service charges. A comparison of the level of actual expenditure in 1920-21 under the several major heads with that in the budget for the next year will show to what extent retrenchments and economies have been effected. I shall mention some of the heads to indicate the substantial character of the reduction in the standard of expenditure: Land Revenue is less by 1¾ lakhs, Excise by ¾ lakh, Civil Administration by 5⅛ lakhs, Protection by 2¾ lakhs, Public Works by 13½ lakhs, Military by about 4 lakhs after making allowance for extraordinary charges due to the war, Moral and Material Development by 9 lakhs and Grants for Public Improvements by 2 lakhs.

The total number of posts abolished is 1,625 of which no less than 115 are gazetted appointments carrying a salary ranging from Rs. 100 to Rs. 1,000. There have besides been a reduction in the strength of the Executive Council and considerable retrenchments in the Secretariat and personal staff of the Members of Government.

General Review of the Financial Situation

Government are conscious of the fact that the policy pursued has resulted in the cutting down of some of the services to which the public are entitled, retarded the progress of many departments in regard to their normal developments and affected also to some extent their efficiency. It has prevented the provision of adequate means for increasing communications, repairing and constructing irrigation works and expansion of education in all grades and further, the abolition and reduction of allowances and other conveniences of public servants have adversely affected their emoluments.

Further, I must confess that we have not yet completed the survey of all the possibilities of economy, and although by drastic retrenchments and stricter control over expenditure as well as by suitable economies and judicious expansion of revenue we have restored the balance, it does not mean that our financial problem has thereby been altogether solved. The interest on our non-productive debt with its sinking funds forms a heavy drain on the tax-payer and the position of Mysore would have been today one of surplus of half a crore of rupees per annum if this liability on account of nonproductive debt did not exist. The question as to how many years we shall have to wait before the money spent on capital works and concerns will yield a fair dividend is one that cannot be answered readily at the present moment. Then again, we have to remember that a part of the debt has been used up for meeting the recurring deficits of the past few years. So, most earnest endeavours have still to be made to improve our financial position specially under Part III of the statement that I have put before you, which will continue to remain unsatisfactory till all the works for which money has been borrowed begin to yield adequate return. It is only when our capital works do this that our financial position will be rendered sound and secure and you may rest assured that everything that is necessary to bring about this result will be done by Government and the revenue earning capacity of our productive works and capital assets such as Krishnarajasagara, Open Line Railways, and Electrical works will, it is hoped, be substantially augmented after the initial expenditure on account of the improvements as well as the renewals specially under the Open Line Railway System, which have been in arrears for some years, has been fully met. All these considerations render it obligatory on the part of Government to continue the vigorous policy of effecting further economies in expenditure wherever possible and to improve our resources. The standard of expenditure, making allowance for retrenchments and economies will remain fairly high owing to urgent demands for legitimate developments in every department; but these have to be provided for only gradually and to the extent that our financial position in each year can safely permit.

Capital Grants

This brings me to our Capital Finance Works in regard to which you may naturally desire some information. The budget of the current year included the

provisions required for all capital works except the Iron Works and provided for a total sum of 46½ lakhs. The amount required for the Iron Works was proposed to be met from the grant of 80 lakhs allowed for the previous year, the whole of which was not utilised. The revised estimate shows a total expenditure of 66½ lakhs as given below:—

Railways and Tramways	..	..	23
Krishnarajasagara Works	..	..	7½
Electrical Works ..	..	..	10
Iron Works ..	..	..	26

It has been possible to meet this capital expenditure from the cash resources of the State without any inconvenience.

The aggregate grant for the next year under capital outlay is fixed at 47½ lakhs. For the railway lines worked by the M. & S. M. Railway Company and ourselves, an allotment of 17 lakhs is allowed and the whole of it is for open line works. For the progress of Krishnarajasagara works, a provision of Rs. 5½ lakhs has been made according to a carefully arranged programme which will provide, for the present, only for the absolutely necessary works. The estimate for the Electrical Department has been placed at 14¾ lakhs, most of which is intended to be spent on the second stage of the Sixth Installation works and the renewal of the Bangalore transmission line both of which will be immediately remunerative. There are still certain items of capital expenditure to be incurred on the Iron Works at Bhadravati to make the concern economical and to ensure a continuous supply of the raw materials required by it, and pending a detailed examination of these requirements, a provisional allotment of 10 lakhs has been included in the budget. You will be gratified to learn that the realisation of a surplus of 9 lakhs against the original anticipation of a deficit of 5¼ lakhs, the balanced revenue condition of the next year and the net receipts from some of our debt heads have so materially strengthened our cash position that it is possible to find the capital sum for the next year without recourse to a public loan.

Railway Finance

In June last I made a general survey of our investments in railways and indicated the directions in which the railway administration required attention to make its financial position satisfactory. I stated that there was much lee-way to be made up to bring our old lines up to the

standard and make them capable of rendering efficient service and handling the growing volume of traffic offering for transportation.

I am glad to state that the upward tendency of the gross receipts of railways is being maintained in respect of the lines worked both by the M. & S. M. Railway Company and by us. The total earnings of the lines worked by the Company for 1921-22 were Rs. 39½ lakhs and in the current year, we expect to realise about Rs. 46½ lakhs, *i.e.*, an improvement of Rs. 7 lakhs. For the next year we have placed the estimate at Rs. 46½ lakhs, *i.e.*, the same as the revised. The earnings of the railways worked by us in 1921-22 were Rs. 30¾ lakhs and in the current year they are likely to stand at about Rs. 33¼ lakhs, *i.e.*, an improvement of Rs. 2½ lakhs. The expectation for the next year is 33½ lakhs, *i.e.*, about the same as that in the current year.

Turning to the cost of maintenance and operation, the expenditure of our lines worked by the Madras and Southern Mahratta Railway Company depends upon the total outlay incurred on that administration and it does not, therefore, lend itself to investigation in detail. I may however state that the revenue expenditure of our lines worked by the Company is showing a tendency to decline and if this feature is maintained and strengthened, we may expect that our net revenues will correspondingly improve. As regards railways worked by us, I drew special attention last June to the necessity for the investigation of the disquieting feature of the rising cost of the administration and stated that sustained efforts were necessary to reduce the level of working expenditure. I am glad to say that as the result of efforts made in this direction, the proportion of gross receipts absorbed by working expenses is showing a downward tendency. This proportion in 1921-22 was 87·9 per cent; in the current year it is expected to be 79·3 per cent and in the next year 75·8 per cent. In calculating this proportion, the special charges incidental to programme renewals have been omitted as they represent extraordinary and non-repeating outlay. The provision for such outlay in the next year is Rs. 8 lakhs of which about Rs. 6½ lakhs are required for renewing 35 miles of the permanent way of the Bangalore-Mysore section which has not been renewed since it was laid in 1881 and for strengthening the section between Shimoga and Birur and Rs. 1½ lakhs for renewing a part of the rolling stock which is no longer fit for efficient service.

The special works relating to permanent way and rolling stock necessitate expenditure both on the revenue and capital accounts and the demands falling under the latter have been provided for in the capital grant of Rs. 17 lakhs allowed for railways in the next year. The programme of heavy renewals and replacements will have to be kept in view for a few years more and after it is completed, it will be necessary to make provision from annual earnings of railways for a depreciation fund from which demands on heavy repairs and renewals may be met in future. The relation between gross receipts and working expenses is still not satisfactory and endeavours will continue to be made to improve the revenues and reduce the expenditure. The position is very much the same in British India as will be seen from the report of the Inchcape Committee who have clearly expressed the opinion that the railways ought to be on a self-supporting basis, and yield a net return of at least 5½ per cent on the total capital charge. As regards the heavy arrears of maintenance and renewal, the Committee have said that it is very necessary in the course of the next five years to make special provision to overtake the present arrears.

We have to satisfy ourselves in the next year with practically a nil net return from our State-worked railways owing to the urgency of renewals in the Bangalore-Mysore section and we shall try and follow the principles laid down so forcibly by the Inchcape Committee to bring our railway assets and their earning capacity to their proper level.

Electrical Department

The total capital outlay to the end of 1922-23 for the hydro-electric works of the Mysore State comes to Rs. 178 lakhs. The gross receipts for the same period come to Rs. 407 lakhs and the working expenses to Rs. 155 lakhs which give a net receipt of Rs. 252 lakhs. Deducting interest on capital, the profits would be Rs. 186 lakhs which is more than the capital invested in the concern. In the current year, the net profits are expected to be Rs. 16 lakhs giving a return of nearly 9 per cent after meeting interest charges. The return should strictly be calculated by including under Capital a large part of the outlay on the Krishnarajasagara which has ensured a continuous supply of water for generation of power, but even according to this calculation, it will be found that the paying character of this project is all that can be desired. The budget

estimate of the next year is fixed at Rs. 37½ lakhs as gross receipts and Rs. 24 lakhs as net, as against Rs. 22 lakhs of the current year. It is hoped that after the renewal of the Bangalore transmission line and completion of the second stage of the Sixth Installation, the gross revenue of the Electric Department will rise to 44 lakhs per annum.

Krishnarajasagara

In the current year, we have provided for a sum of Rs. 6½ lakhs under capital expenditure on the Krishnarajasagara and allied works and an additional sum of about Rs. 1 lakh has been sanctioned for certain works rendered absolutely necessary for the safety of the dam. The budget estimate for the next year is Rs. 5½ lakhs which includes provision for low level canals and the Mandagere and Chamaraj right bank channels. Every effort is being made to increase the irrigation revenue under the channels.

Bhadravati Iron Works

The total capital outlay up to the end of March 1923 amounted to Rs. 179·43 lakhs and the further expenditure up to June is expected to be about Rs. 4·60 lakhs. The estimate of the total expenditure in the next official year is provisionally fixed at 10 lakhs which will bring the total capital outlay provided for all requirements to Rs. 194 lakhs. It has been decided to restrict expenditure on the central works to the absolute minimum, limiting also further expenditure on tramways by cutting down the construction of new lines.

As regards the revenue estimates, no provision has been made in the budget under Iron Works as it is too early to make a proper forecast on the results of the working for only six months. It is inevitable that at the initial stages, a large undertaking of such magnitude has to contend against many difficulties and uncertainties; but it is hoped that in the next year, the undertaking will be able to leave a small surplus after paying for all working expenses. The Board of Management, as you are aware, has been reconstituted under the patriotic guidance of Sir M. Visvesvaraya, Chairman, with full and effective powers of control over all parts of the scheme and you may rest assured that every endeavour will be made to economise expenditure, cut down costs, effect quick sales of output and make this undertaking a source of revenue in the near future to the State.

Other Industrial Concerns

Very little capital expenditure has been incurred on the other industrial concerns which are under the control of the Department of Industries and Commerce. The net result of the working of these concerns shows a loss of Rs. 50,000 which will have to be written off in the revenue account. Except the Soap Factory which has done well and earned a total profit of about Rs. 36,000 up to date, the other concerns have yet to be rendered self-supporting. Steps are being taken to re-value the assets, introduce improvements in working and effect economies in expenditure. Government will not hesitate to close down any concern which in spite of such action continues to show further losses.

For the next year, the profits from these concerns have been taken at Rs. 31,000. Provision is also made to the extent of Rs. 40,000 for capital works. This includes the purchase of additional equipment for the Soap Factory at a cost of Rs. 25,000 to double the present output of washing and toilet soaps for which there is a growing and steady demand.

General

I shall now indicate in brief those special activities of Government which have any bearing on the questions of finance and the general financial policy of the State and which may for that reason be of special interest in connection with our discussions on the budget. In my last Dasara Address I stated that with a view to balance Part III of the State's finances as separated under my scheme of reclassification, it was necessary to take credit for a sum of Rs. 1·1 lakhs per annum by way of contribution from the Railway Sterling Debenture Loan Sinking Fund. It may be interesting to you to learn that His Highness' Government have made a further appeal to the Secretary of State on the subject and we have every hope that our representation will receive favourable consideration. We have pointed out that our proposal is quite reasonable and not in any way opposed to sound financial considerations. This representation was made last November and it is hoped that an early decision will be arrived at.

Next, as regards the surplus revenues of the Bangalore Assigned Tract, I have already announced that the Government of India have credited us with the surplus accrued in the year 1921-22 and paid us a portion of the

accumulated arrears for the three years preceding for which it was withheld. His Highness' Government have been continuously urging their claim for the arrears and there is every prospect of the question being settled at an early date.

In March this year, we have made two representations to the Government of India one in respect of the report of the Indian Fiscal Commission in so far as it affects the Mysore State and the other on the subject of Customs Duty levied by the Government of India on stores, materials and machinery imported into the State for the use of the various departments of Administration. The recent enhancement of the salt tax imposes an additional burden on the people of Mysore to the extent of Rs. 12 lakhs per annum and the position that has been urged upon the attention of the Government of India in this matter has therefore been further strengthened by recent events. We have urged in this connection that we view the situation with grave anxiety and appreliension and have requested that measures may be taken to adequately protect and safeguard the interests of Mysore.

Owing to the improvement of our cash position as already noted, it has been possible to go in for short term investments to a larger extent than in the past with the result that a sum of nearly one lakh of rupees has been realised as revenue on account of interest on temporary investments from July last year to April 1923. The maximum amount realised during the past three years did not exceed Rs. 35,000.

With a view to ensure financial stability and to avoid the danger of keeping such of the assets as may have to be drawn upon at short notice in non-liquid form, definite orders of Government were issued in September last specifying the liquid reserves which should in future be kept on and the proportion of each liability to be maintained in the form of easily marketable securities. The important funds coming under this arrangement are: Loan Sinking Funds, Famine Insurance Fund, Savings Bank Deposits, Provident Fund Deposits, Life Insurance Fund and the Depreciation Funds of Productive Works. It may be pointed out that hitherto all such funds have been merged in the total assets of the State and also partly used up to finance capital works.

Considerable economies have been effected in regard to miscellaneous expenditure, local and travelling allowance expenditure, contingencies, stationery and printing charges, all of which taken together have improved

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our position to the extent of nearly 5 lakhs—travelling allowances alone showing a reduction by 2 lakhs in the revised estimate as compared with the actual expenditure of last year. Strict control has been exercised over the purchase of foreign materials and in one case alone a saving of nearly one lakh of rupees has been effected. As a result of expediting resettlement operations, proposals for resettlement in 7 taluks were received during the course of the year and when resettlement is introduced in these taluks an additional land revenue of 2 lakhs will be realised.

Large blocks of valuable Amrut Mahal Kaval land have been released for assignment and 3,697 acres have so far been sold realising about Rs. 1½ lakhs. Stringent measures were taken to safeguard all revenue proceeds in every department especially in regard to sales by auction by the issue of clear instructions and revision of notices, as a result of which improvement is noticeable in the sale proceeds realised. Vigorous measures have been taken to collect arrears of revenue.

Military Expenditure

The reduction of military expenditure of the State is under the active consideration of Government along with the question of the reduction of the Subsidy which is still pending orders of the Imperial Government, but the present actuals have been provided for in the budget.

Special Grants for Development

It will be gratifiying to you to learn that it has been possible with the general improvement in the financial position to make provision for some urgent schemes of development and these, I may now briefly refer to for your information. The judicial separation scheme will be introduced in the Kolar District next year and necessary provision has been made therefor. As promised by me at the last Dasara Session, Government instituted through the Chief Court, a detailed enquiry into the administration of civil justice with reference to population, area and total litigation in the State. As a result thereof and on the strong recommendation of the Chief Court, it is proposed to sanction an additional Munsiff's Court for Bangalore and another for Mysore besides ordering the establishment of the second Court at Tumkur on a permanent basis, and the appointment of Chief Clerks for some of the heavy courts

in the State. Measures for the improvement of the process establishments of Civil Courts are under contemplation.

The Mysore University

The University is now faced with a number of problems which are matters of financial no less than of educational policy. Hundreds of undergraduates and graduates are being annually turned out by the University and it is necessary that our courses in the University should be so re-organised that the *alumni* may be trained to be efficient citizens who will work for the material as well as the moral progress of the country. For this purpose it is becoming increasingly evident that this and other Indian Universities must be equipped for teaching not merely the Arts and Humanities and the pure Sciences but also the application of science to agricultural, technological and vocational subjects, to which a large part of the volume of our secondary and higher education should, as a matter of sound policy, be diverted. This will help in opening up a variety of industrial and agricultural pursuits in the country. The Vice-Chancellor has been pressing for these developments for the last two years, developments which are no doubt imperatively needed if the University is to function healthily and to adjust itself to the vital needs of the State and its people, but Government have had to cut down the grants to the lowest minimum owing to our deficit budgets of the past. To maintain the University standard of organization, the Government grant will have to be raised further in the near future. This will, however, depend upon the general improvement of the finances of the State. But it is hoped that with the improvement in prospect, it would be possible to strengthen the financial position of the University, so as to admit of its most essential schemes of development being introduced in the near future. The most urgent needs of the University will be provided for with the grants now sanctioned in the budget year. These include provision for the improvement of the Faculty of Arts in the departments of Philosophy, History and Economics. Provision has also been made for a deputation for training in Archæology and Cultural History and the strengthening of the tutorial staff. Some improvement in the scale of pay of the members of the teaching staff to the extent found absolutely necessary has also been provided for.

Educational Improvements

Turning to the Education budget, you will find that there is a net increase of Rs. 2½ lakhs in the grant sanctioned for next year as compared with the budget estimates of the current year. The total expenditure on Education leaving out the University, for the next year, will be Rs. 42,98,000 towards which the Municipalities, District Boards and the Education Cess will contribute Rs. 6,44,000.

The most urgent reforms sanctioned in the Education Memorandum will be introduced next year. Education finance has been carefully re-examined with reference to cess and other contributions from Local Bodies and a revision of policy is under consideration which will, with increased grants-in-aid to village schools for which a sum of Rs. 50,000 has been provided in the budget, avoid wholesale conversion to Government schools. This will revive many schools which are either closed or are in a languishing condition.

Further additional grants proposed in the budget are:—

		Rs.
1.	Remodelling of primary and middle schools education.	80,000
2.	Additional High Schools	30,000
3.	Improvement in the Science equipment of High Schools.	30,000
4.	Improvement of training facilities to teachers ..	20,000
5.	Additional grant for buildings	72,000

I may here mention that the aggregate outlay on Education of all grades, including the budgetted expenditure of 7 lakhs for the University comes to half a crore of rupees.

Agricultural Development

Among developments in the Agricultural Department contemplated for the next year I may mention a provision of Rs. 8,000 for improved veterinary aid. Three new veterinary dispensaries are proposed to be opened at Malavalli, Challakere and Arsikere, the District Boards concerned having agreed to bear their quota of the cost. Under agricultural education, it is proposed to convert the grant-in-aid agricultural school at Chickanahalli in the Tumkur District into a Government institution. A small provision has been made to enable the Live-stock Expert to maintain breeding bulls. For the improvement of the important sheep-breeding industry in the Kolar, Tumkur

and Bangalore Districts, a small additional provision has been also made.

Provision has been made for improvement in the salary and prospects of some of the highly trained officers of this department who have had no encouragement for several years past and for the continuance of the temporary establishment for pot culture experiments and of the Agricultural Engineer's sections. A great incentive to the scientific side of the work of the department will be given by the holding of the next annual meeting of the Indian Board of Agriculture in Bangalore in December next and necessary provision has been made to meet the expenses in this connection.

Other Developments

For the improvement of the madnad, an increased provision of Rs. 75,000 has been made and for town municipal improvements and village improvements, the current year's grants have been continued. To slightly improve the position of Assistant Commissioners in the Civil Service and of Munsiffs who are at a disadvantage when compared with public servants of other departments, a small budget provision has been made. As against this, it is proposed to reduce the scale of pay of the First Grade Magistrates to correspond to that of Munsiffs and Assistant Commissioners and of the Second Grade Magistrates to that of Amildars. Provision has been made for water supply schemes for towns to the extent of Rs. 60,000 out of which Kolar gets Rs. 15,000 as a fulfilment of my promise made during my last tour. The Cities of Bangalore and Mysore get a grant of half a lakh and one lakh of rupees respectively and under medical aid, provision has been made for 3 additional dispensaries and for special wards in the Maternity Hospital, Bangalore.

Retirements

The order about the retirement of officers to make room for thrown out men under the retrenchment orders has attracted a considerable amount of public attention and requires a few words of explanation. In my Address at the last Dasara Session, speaking on the subject, I referred to the great hardship caused to men thrown out of employment by reduction of establishment. I also pointed out the hardship caused by the restriction of the enlistment of new recruits in the Engineering and other

technical departments of Government and withdrawing the guarantees given. This is now under separate consideration. I stated that the public service in its various departments of administration affords openings and careers for our young men; but the general reduction of staff and the suspension of some of the activities have closed all these openings for a time and deprived many of the young graduates of our University—specially those in Engineering, Commerce, etc., of an opportunity to serve their country. During my tours I found that many superannuated and inefficient men were retained in the service in the districts and the hardships referred to above could be greatly minimised by permitting such persons to retire on pensions so as to make room for younger and more efficient men. The order of January last was passed with this object in view and I now wish to clear some doubts and misapprehensions that had been expressed in certain quarters in respect of this order. It is found that out of a total number of 1,800 officials included in the lists received from various offices, the Special Committee has recommended only 273 men for retirement, of whom 214 are men who are either superannuated or are nearly so, 14 are men who have voluntarily asked for permission to retire and 41 have been selected as unfit for retention in service owing to incapacity, inefficiency or misconduct. The Committee's proposals also provide for the appointment of 180 discharged young men in the various vacancies thus caused. It will thus be seen that there will be little or no hardship caused, but on the other hand there will be a partial redress of the grievances of men discharged, owing to retirements.

Gentlemen, I have done. You will forgive me if I have taxed your patience by this dry summary of facts and figures relating to the question of Mysore finances as it appears today at the threshhold of a new year. The question is of paramount importance and that is my sole justification.

Constitutional Developments

You will naturally expect me before I conclude, to make some reference to the impending constitutional developments. As it is now too early to correctly estimate the actual additional expenditure that may be involved, no budget provision has been made. Further than that, the Economic Conference and the Boards have been closed down for the time being mainly because, the new constitution is intended to fit in the Conference in the general

scheme and till this is done, money spent will be mostly on establishments. A supplemental grant will be made when necessary as soon as all the details are fully worked out. Recently Government have extended the time for representations and criticisms on the Committee's Report by another month and it will not be possible, taking all the circumstances into account, to introduce the scheme as contemplated in my last Dasara announcement, in October next. It has now been definitely decided that His Highness' proclamation will be promulgated at the next Dasara Session of this Assembly and after the elections, the first inaugural meeting of the new Assembly will be held some time in February 1924 and the first inaugural meeting of the Legislative Council in March that year.

The announcement made by me by command of His Highness the Maharaja indicates definitely the lines of advance that His Highness has been graciously pleased to sanction in the constitutional Assemblies of the State and the larger privileges that are intended to be granted to them. A representative Committee has gone into all the details to evolve a working scheme based on that announcement and, judging from the discussions in the conferences and in the press, I fear that there is a considerable amount of public misapprehension. The special conditions prevailing in Mysore as well as our political limitations have to be carefully borne in mind.

Whatever may be the ultimate form of the scheme that may be promulgated by His Highness' proclamation, I have no doubt that it will be received and accepted by the people of Mysore with their usual deep-rooted loyalty and devotion, as a wise and benevolent decision. The new year will begin on the working basis of a balanced budget with the prospect of showing some advance in the administration of important departments which of late have suffered stagnation. After four years of deficits and depression, we enter into an era of surpluses and general financial stability. Important constitutional changes are in prospect which give a larger voice to the people to influence the policy of His Highness' Government and open greater possibilities for real co-operation.

Conclusion

May I, in concluding, plead at this supreme juncture when a common and friendly understanding amongst all classes and communities is of paramount importance,

for an unclouded vision, a greater breadth of outlook, patience and forbearance and lastly, a spirit of just and healthy criticism of measures and not of men, which can only be founded on sound and well-developed public opinion. Mysore is about to take a big step forward in the path of constitutional progress which it has steadily pursued in the past under the benign rule of His Highness the Maharaja. Let us all hope that communal bitterness and strife may be rung out with the old year and the new year will—

"Bring us the higher example, release us
Into the larger coming time
No more *schisms or creeds* then, taunting nor taunted,
But one confederate brotherhood, planting
One flag only to mark the advance onward and upward of all *Mysore*."

A. R. BANERJI,
Dewan of Mysore.

June 22nd, 1923.